

Service Date: November 14, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application	)	UTILITY DIVISION
of TREASURE STATE PIPE LINE	)	DOCKET NO. 90.10.69
COMPANY for Authority to Increase	)	INTERIM ORDER NO. 5512a
Rates and Charges for Natural Gas	)	
Service.	)	

FINDINGS OF FACT

1. On October 16, 1990, Treasure State Pipe Line Company (Applicant, TSP, Company) filed an application seeking authority to increase rates for natural gas service. The application sought authority to increase rates in order to reflect higher purchased gas costs due to the removal of J.R. Bacon Drilling as a source of supply. According to TSP, J.R. Bacon Drilling could not supply the agreed upon 65 percent system needs of TSP. As a result, TSP proposed to resume purchasing 100 percent of its gas supply from Montana Power Company. TSP proposed to increase their rate for natural gas from \$5.8275 per Mcf to \$6.9476 per Mcf.

2. On November 13, 1990, the Commission received a letter from Greg Holt asking that the rate increases for TSP and Consumers Gas Company be put on hold until an evaluation could be made as to improvements in gas deliveries from J.R. Bacon Drilling.



3. On December 11, 1990, TSP filed an amended application in Docket No. 90.10.69. In the amended application, J.R. Bacon Drilling was included in the gas mix at 50 percent rather than the previous 65 percent referred to above. Thus, on a prospective basis TSP system needs would be met 50 percent by J.R. Bacon Drilling and 50 percent by Montana Power Company. As a result of the amendment TSP proposed to increase the rate for natural gas from \$5.89 per Mcf to \$6.134 per Mcf.

4. TSP included a loss factor of 18.5 percent in the application. The Commission staff asked for more recent information on the Company's loss experience. TSP provided the following information regarding recent loss factors:

1987	4.27%
1989	<u>5.43%</u>
Two year average	4.85%

The Commission found that the difference between the proposed 18.5 percent loss factor and the recent loss factors was of such a magnitude that setting rates using the 18.5 percent would result in rates which were not just and reasonable. The Commission found that the use of the two year average of 4.85 percent was appropriate for setting rates. Also, the Commission found that the TSP was to be commended for working to reduce the loss factor and encouraged TSP to strive to achieve an even lower loss factor in the future.

5. On November 5, 1991, the Commission received a further request from TSP for a rate adjustment due to changes in the Company's gas mix. The gas purchase agreement with J.R. Bacon Drilling was terminated due to their loss of gas supply. As a



result TSP is now purchasing 100 percent of the Company's gas supply from Montana Power Company.

6. TSP calculated a new average cost of gas from Montana Power Company of \$3.187 per Mcf as follows:

Monthly Service Charge	(\$50 x 12 Mo.	= \$ 600
Reservation Rate (\$5.65/Mcfd/Mo. x 102 Mcfd)		= \$ 6,915
Trans. Commodity Rate (12,682 Mcf x \$1.514)		= \$19,201
Gas Supply Cost (12,682 Mcf x \$1.080)		= <u>\$13,696</u>
TOTAL ANNUAL GAS COST		\$40,412
Average Cost per Mcf (\$40,412/12,682)		\$3.187

7. As a result of the filing made on November 5, 1991, TSP is proposing an increase in rates for natural gas service of \$.5455 per Mcf from \$6.0416 to \$6.5871.

#### CONCLUSIONS OF LAW

1. Applicant is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides in part, "The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision."

4. The rate levels and spread approved herein are reasonable.

#### ORDER



1. Applicant is hereby granted an increase to \$6.5871 per Mcf on an interim basis, reflecting the Findings of Fact in this Order.

2. Such increase is to become effective on November 4, 1991, and remain in effect until such time as a final decision is reached in this matter.

3. If the final decision of the Commission is to disapprove all or part of the increase granted on an interim basis, the Commission will order a rebate thereof with interest at 12 percent to all customers.

DONE IN OPEN SESSION at Helena, Montana, this 4th day of November, 1991,  
by a 5 - 0 vote.



BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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HOWARD L. ELLIS, Chairman

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DANNY OBERG, Vice Chairman

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BOB ANDERSON, Commissioner

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JOHN B. DRISCOLL, Commissioner

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WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.